

## Budget Tidbits... just the facts

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Senate Ways & Means

### **Budget Brief #11: Effect of Not Raising Taxes (3/15/05)**

- Budget proposals are expected next week and tax increases are likely. It's a good time to review the economic impact of the 2003-05 budget which solved an even larger problem.

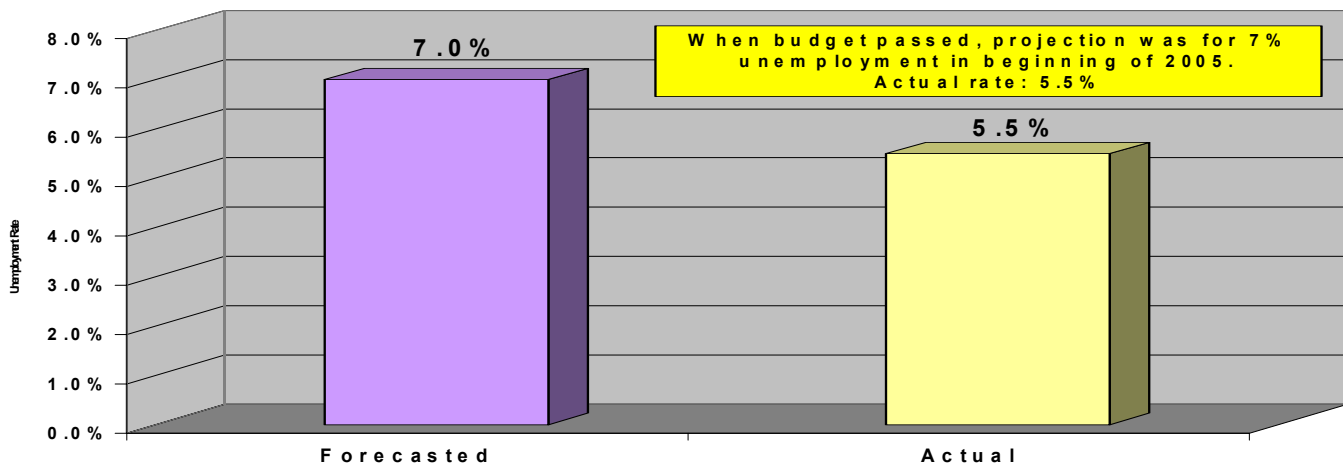
Since passage of the "No New Taxes" budget:

#### **1. Five Straight Upward Adjustments to State's Revenue Forecast**

- Economic growth has outpaced expectations, resulting in the state's chief economist raising biennial state revenue projections in each of the last five quarterly forecasts.
  - The total impact is \$503 million more revenue than originally forecast.<sup>1</sup>
- A sixth upward adjustment is likely at the next forecast this week. State collections the last four months are \$179 million higher than anticipated in the last revenue forecast.

#### **2. Unemployment Rate is Much Lower than Forecasted**

State Unemployment Rate -- February 2005 -- Forecasted vs. Actual



\* Source: Forecast -- June 2003 Economic Forecast, p.123, 2005 1st Quarter; Actual -- ESD, 3/15/2005 Monthly Release

#### **3. Fastest Growing Economy in Nation during Recent Quarter**

- During the next-to-last economic quarter, the Bureau of Economic Analysis concluded Washington had the highest increase in personal income growth in the nation.<sup>2</sup>

#### **Bottom Line**

It was the right thing for the economy to not raise taxes. Job growth and state revenues have been much higher than expected. Is this the right track to continue?

1. Source: Revenue Forecasts (Nov 03 – Nov 04) – 2003-05 Biennial Forecast Only  
2. Federal Bureau of Economic Analysis, 9/28/2004 (State Personal Income Growth: 2<sup>nd</sup> Quarter 2004)